

Commonwealth of Massachusetts

THE GOVERNOR'S BUDGET RECOMMENDATION

Deval L. Patrick, Governor



www.mass.gov/budget/governor

Fiscal Year 2015
House 2

Volume 1
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**Commonwealth of Massachusetts
Massachusetts**

For the Fiscal Year Beginning

July 1, 2013

Executive Director



User Guide to Governor's Budget Recommendation

The Governor's fiscal year 2015 (FY 2015) Budget Recommendation, also known as "House 2" or "H.2", is a legal document in the form of a bill that has been submitted to the Legislature for approval. This bill creates the annual Massachusetts state budget that funds all aspects of state government, from the Courts to the Legislature, and from Executive Branch agencies to dozens of boards and authorities. H.2 recommends funding levels for a fiscal year, beginning on July 1 and ending on June 30.

The state constitution requires the Governor to file the budget by the fourth Wednesday in January. Because this bill is a legal document with a prescribed format it may at times be confusing to understand.

This guide is designed to help users navigate the highly detailed and in-depth budget document in order to find the information most important to them in a quick and efficient manner.

What's new about this year's budget?

In this year's Budget Recommendation, specific performance measures are included for a majority of budgetary programs. These performance measures are available in the online program budget dashboard.

The Governor's Budget Recommendation

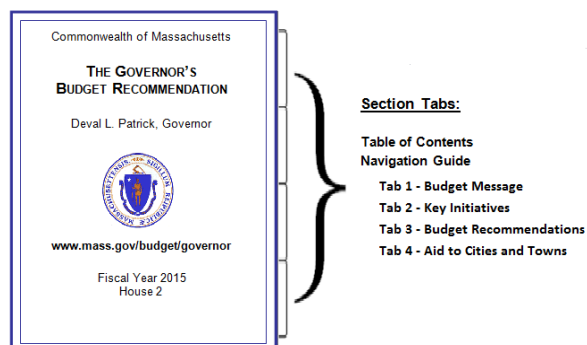
The Governor's Budget Recommendation is separated into two volumes. Both volumes are available online and can be downloaded and printed by the user. Volume 1 focuses on Program Recommendations and Volume 2 focuses on Line Item Recommendations.

Volume 1

Volume 1 contains narratives that outline the framework of the Administration's priorities for the coming fiscal year beginning July 1, 2014, summaries of achievements related to certain key initiatives and the recommendations for spending in program format at the funding source level (budgetary appropriations, federal grants, trust accounts and capital spending).

The online view of Volume 1 includes a link to the program budget dashboard which provides additional detail on the specific line items or accounts that fund each program and a search capacity that will permit the public to look up programs or areas of interest by department, key word, account line item and other criteria. Performance measures are presented in the program budget dashboard.

Volume 1 is divided into four sections:



Budget Message – Tab 1

Both the Governor and the Secretary of Administration and Finance offer an overview of the issues and opportunities that the Commonwealth faces during the upcoming fiscal year. The budget narrative emphasizes why and how decisions have been made in developing the FY 2015 budget and the impact they will have on residents and businesses of the Commonwealth.

Key Initiatives – Tab 2

This section describes the core policy initiatives that the Administration embraces. These narratives provide a clear description of key issues facing the Commonwealth and the Administration's accomplishments and plans for addressing each issue. The Governor's priorities are included in key initiatives as listed below:

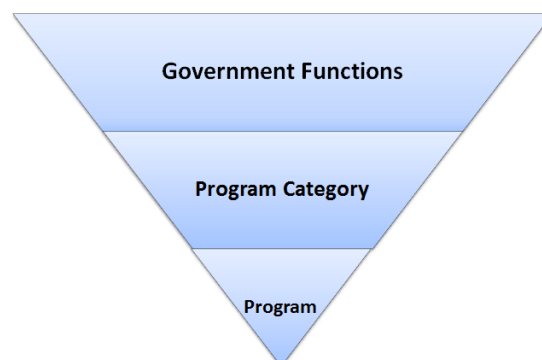
- Fiscal Responsibility and Reform
- Investing in Education to Close the Achievement Gap
- Investing in Innovation & Infrastructure to Create Jobs, Expand Opportunities
- Expanding Access to Affordable, Quality Health Care
- Building a Strong, Safe Community for Youth and Families
- Climate Change Mitigation and Preparedness
- Transportation Reform
- Criminal Justice and Reentry

Budget Recommendations – Tab 3

This section of Volume 1 contains the **FY 2015 Program Budget Recommendations**.

FY 2015 Program Budget Recommendation (Report Version)

In this section of the Governor's FY 2015 Budget, the Administration's funding recommendations for the next fiscal year (July 1, 2014 – June 30, 2015) are presented in program format. These recommendations are categorized in the following three sub-sections that progressively provide a greater level of detail to the reader: Government Function, Program Category and Program. As the user filters down into each tier, it will provide a greater level of detail for each program. The diagram below provides a visual breakdown of the levels you will need to filter through to locate a specific program.



1. Executive Overview of Government Functions

Government Function is a high-level method of reporting recommended funding levels for services provided by the Commonwealth. There are 11 major functions of government services. In some instances, the Government Function titles have similar names to Executive Branch secretariats. However, more than one secretariat or department may contribute to providing a program under a Government Function. The location of a program under a Government Function is determined based on the content of the service being provided, not the department providing the service. All branches of Massachusetts state government are included in these 11 functional areas including the Executive Branch, Legislature, Judiciary, and Independent, and Constitutional Offices.

The Executive Overview of Government Functions section lists the 11 Government Functions and their descriptions. There is a chart at the top of the page to illustrate the FY 2015 Recommended Spending for each Government Function, including budgetary appropriations, federal grant spending, trust spending and capital spending.

2. Program Category Budget Detail

Program Category is the second level of reporting, which represents groupings of related programs that provide a detailed picture of the activities included in each of the 11 larger government functional areas.

This section describes the Program Categories and Programs associated with each of the 11 Government Functions and their FY 2015 Recommended Spending. Government Functions, Program Categories and Programs are listed in alphabetical order. Recommended Spending levels are shown next to each Program for both FY 2015 Budgetary Appropriations and FY 2015 All Funds Recommended Spending, including budgetary appropriations, federal grant spending, trust and capital spending. A pie chart depicts the Program Categories within each Government Function and the proportion of FY 2015 All Funds Recommended Spending for each compared with the total spending for that Government Function. Below the chart, there is a listing of each of the Program Categories with descriptions and the Programs included in each Category.

3. Program Budget Recommendations

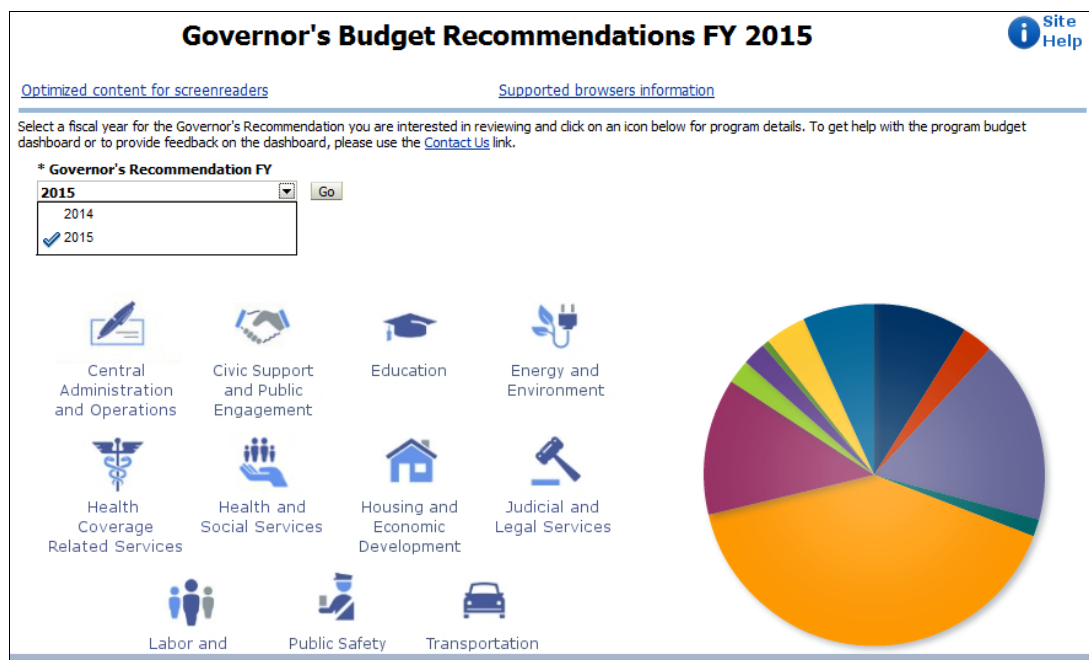
A Program is a set of related activities or tasks that work together to achieve a common goal or objective. In the program budget, each program is identified with the agency (department or office) that provides the program and with a specific budgeted amount. Funding for each program includes all sources of government funding that may finance the program in order to provide a clear picture of tangible spending values associated with each program.

The Program Budget Recommendations section provides additional detail on each Program. The section is organized by Government Function and Program Category in alphabetical order. For each Program, there is a short description followed by a list of departments that contribute spending to the Program. Under each department name is a list of the funding sources that supports the Program and the current FY 2014 All Funds Projected Spending and FY 2015 All Funds Recommended Spending.

FY 2015 Program Budget Recommendations (Online Version)

The online version of the Budget Recommendation section of the FY 2015 Governor's Budget provides a link to a drillable view of the program budget going from the 11 Government Functions to the Program Categories and Programs associated with each functional area. Users can continue to drill down to funding sources and then to the specific accounts that fund each program. A comparison of projected spending for the current FY 2014 and proposed spending for the next FY 2015 is provided for each account including budgetary appropriations, federal grants, trust accounts and capital spending. Performance measures have been added to track the performance of associated programs and a new search feature has been added that permits the user to see all performance measures for one or many programs.

The online version allows users to select the fiscal year (FY 2014 or FY 2015) of the Governor's Recommendation that they wish to view.

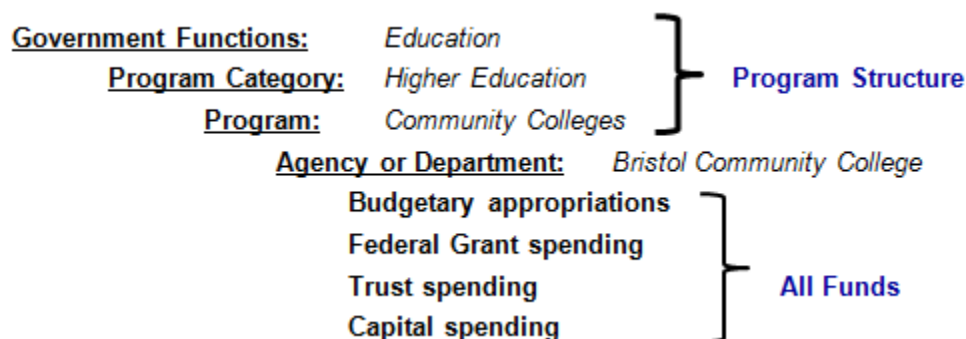


Users are presented with various ways to search and drill down to data at a more granular level. An Online Navigation Guide is provided to help users with searches and drill-downs. The program budget is available online at: <http://www.mass.gov/budget/governor>

Finding Program Information

Organizing the budget recommendation by program makes it easier to find the funding level for a specific service level or area of interest. It is not necessary to know the department providing the service. If you know the name or the type of service you are interested in, you can review the list of programs in the Budget Recommendation section of Volume 1 and see both the department providing the program and the recommended funding for that program.

Here is an example of what is presented in the printed version of Volume 1.



Program budgets are always presented with accompanying detail showing the department and dollar amount that the department proposes to spend for the program.

Aid to Cities and Towns – Tab 4

Aid to Cities and Towns, otherwise known as local aid or Section 3, contains a descriptive narrative of the funding impact of the budget on the 351 municipalities in the Commonwealth, as well as a detailed alphabetical listing of all cities and towns.

Volume 2: Available online at: <http://www.mass.gov/budget/governor>

An Online Navigation Guide is provided to help users locate information with searches and drill-downs.

Volume 2 features the budget development process, organization of state government, long-term budget and revenue forecasts, financial statements, and detailed schedules as required by statute for appropriation recommendations (dollars and language), operating transfers, local aid, tax expenditures and outside sections of the proposed budget.

It elaborates in detail the financial schedules required by statute and includes funding recommendations at the line item or account level to support the programs listed in Volume 1. Volume 2 includes:

Budget Development

The budget development section includes a detailed discussion of the state's fiscal condition, financial policies, governance structure, and specific challenges faced in the development of the budget.

Financial Statements

The Financial Statements section is full of detailed charts with actual and projected revenues and spending for the previous, current and upcoming fiscal years, broken out by different fund for all of the budgetary items. A section of Sources and Uses describes the additional spending that takes place outside of the formal budget document. The Financial Statements section includes:

- Fiscal Note
- Comprehensive State Spending
- Financial Statement and Overview
- Fund Balance Tables

Appropriation Recommendations

The Appropriations Recommendation section of Volume 2 provides detailed information at the account level. Massachusetts General Law (MGL Chapter 29, section 6 D) dictates the format that all budget

documents must follow and these required schedules are also included in this section. The section includes:

The **Preamble and Sections 1-1C** link takes users to the following links:

- Revenue by Source and Fund (section 1A)
- Non-Tax Revenue Summary (section 1B)
- Consolidated Transfers (section 1C)

The **Section 2 Preambles** link takes users to the following links:

- The Preamble for each government entity included in the House 2 bill which references sections 2 (line item appropriations), 2B (chargebacks), and 2D (federal and trust funds).

The **Line Item Recommendation** link takes users to the line item or account version of the FY 2015 Governor's Budget Recommendation.

Similar to the Governor's Recommendation in program format, the online version allows users to select the fiscal year (FY 2014 or FY 2015) for the Line Item that they wish to view. This is a drillable version of the line item budget and includes the following tabs:

- **Budget Detail** – This tab shows a table of all government areas, secretariats/independents and departments with the FY 2015 Budgetary Recommendations; FY 2015 Federal, Trust and Intergovernmental Service Funds (ISF) Recommendations; FY 2015 House 2 and FY 2015 Non-Tax Revenue for each entity. The user can drill down to the **Department Details** screen to see account level budget information for each department. The Department Details screen shows a table of **Account Types** (such as budgetary direct appropriations, federal grants, trusts, ISF and retained revenues) which can be opened to see details on specific accounts such as line item name and number, General Appropriations Act (GAA) amounts for two previous fiscal years, the current GAA amount, current year projected spending and the FY 2015 House 2 amount for that account. Information on **Spending Categories** (such as wages and salaries) is also available on the Department Details screen.
- **Budget Summary** – This tab shows FY 2015 House 2, FY 2015 Budgetary Recommendations and FY 2015 Federal, Trust, and ISF Recommendation for all government areas. It gives a quick high level picture of the recommended spending levels across state organizations.
- **Historical Budget** – This tab shows three prior years of budgeted GAA amounts, current fiscal year projected spending and FY 2015 Budgetary Recommendations in a drillable format by government area, secretariat or independents and department. The user can drill down to the Department Details screen from this table.
- **Historical Spending** – This tab shows actual spending for three prior years, projected current year spending and the FY 2015 Budgetary Recommendations by Spending Category in a drillable format by government area, secretariat/independents and department. The user can drill down to the Department Details screen from this table.
- **Historical Employment** – This tab shows the state workforce funded from budgetary appropriations for June of the preceding three fiscal years, approved levels for the current fiscal year and the projected level for FY 2015 based upon the recommended budget in a drillable

format by government area, secretariat/independents and department. The user can drill down to the Department Details screen from this table.

- **Account Search** – This tab permits the user to search for any line item account by entering an account number in 1234-5678 format (such as 1100-1100) or by entering keywords which are contained in the account description (such as education). The search results show in a table that includes the account number, department name, account name, account description and FY 2015 House 2. Links in the account description take the user to relevant statutes and Executive Orders. The user can also access the Department Details screen from this table by drilling down on a department name.
- *The Online User's Navigation Guide for the FY 2015 Budget Recommendation in account format is presented further in this document, following the description of Resources below.*

The **Line Item Summary** link provides a listing of all line items in the FY 2015 Governor's Budget Recommendation. Accounts are listed in numerical order. The listing also identifies each account that was consolidated into another line item. The listing displays the account number, title, funding received in the previous budget, current year spending, the FY 2015 Recommendation, and comments that describes changes in funding from the prior year (increases, decreases, transfers, consolidations or eliminations) or reason why a new line item is established in the fiscal year.

What is a Line Item?

Line items, also called accounts, represent the individual funding recommendation by agency, department or office. It is the unit by which the Legislature appropriates money. In most cases a single department may have multiple line items that make up a department's total budget.

Finding Line Item Information

All line item accounts are assigned an eight-digit account number (e.g., 4403-2007). Each line item has language identifying the source of funding, the recommended appropriation amount and parameters on how the money may be spent.

To locate a specific line item, you must know where the account resides in the governmental hierarchy. A common structure for locating a line item is as follows:

Secretariat →
Department →
Line Item (Account)

For example, if information on "supplemental nutritional" funding in the Commonwealth is being sought, there must be a general understanding that this funding resides in the Department of Transitional Assistance within the Health and Human Service Secretariat:

Executive Office of Health and Human Services
Departmental of Transitional Assistance
Supplemental Nutritional Program

Agency Information

The Agency Information link brings users to Secretariat and department web sites, organizational charts, key reports and related information such as statutes and Executive Orders that are relevant to each government entity.

Operating Transfers

The Operating Transfers are stated in Section 2E of the bill known as House 2. This reflects spending that occurs in "off-budget" trust funds. While expenditures for these programs will continue to occur from trust funds, Section 2E reflects the spending that occurs through transfers to those funds. This section is particularly important to highlight the Governor's commitment to transparency and accountability in the budget.

In the program version of the budget, many trust accounts are included in the "all funds" reporting of program spending in order to give a more complete picture of the cost of the program. These accounts can be identified by looking for "trust spending" in the program budget under each program. In the online version of the program budget, you have the ability to search on "trust" under "funding sources" to see programs funded from trust accounts.

Local Aid – Section 3

Local aid represents Section 3 of the bill. Local aid contains a descriptive narrative of funding impact on the 351 municipalities in the Commonwealth based on budget recommendations, as well as a detailed alphabetical listing of all cities and towns and recommended funding levels for local aid including Chapter 70 and unrestricted local aid. Users can download Section 3 into Microsoft Excel from [here](#).

Outside Sections

The outside sections are shorter pieces of legislation that are attached to the budget to legally implement recommendations of the budget. Often times, an existing law must be changed to make the provisions of the recommended budget possible. An outside section may impose a financial impact or suggest a language change. All outside sections are in narrative format. Outside sections begin at section 4 of the bill.

How to Read an Outside Section

The following outside section example authorizes limited transferability between line items in the same executive office after a 15 day notice to the Legislature:

Line-item Transferability

SECTION 30. Notwithstanding any general or special law to the contrary, the secretary of administration and finance may authorize the transfer of funds from any item of appropriation for fiscal year 2010 for any executive branch agency to any other item of appropriation for that agency or within its executive office. No transfer authorized by this section shall exceed 5 per cent of the amount appropriated for an item. The secretary of administration and finance shall notify the house and senate committees on ways and means 15 days before a transfer pursuant to this section.

Tax Expenditure Budget

Tax expenditures are provisions in the tax code, such as exclusions, deductions, credits, and deferrals, which are designed to encourage certain kinds of activities or to aid taxpayers in special circumstances.

While the Commonwealth collects will collect more than \$24 B in FY 2015, there are numerous exemptions to the current tax law which are estimated to cost the state more than \$12 B. Note that this is specifically less than originally estimated FY 2013 total of \$26 B; this revision resulted primarily from legislation, enacted in July 2012, stating explicitly that "sales that do not involve tangible personal property shall not result in tax expenditures." Five considerably large tax expenditure items were removed from the total due to this revision.

This section of the budget document provides you with access to tax expenditure data that is provisioned under the tax code. When you view this data online, you will see five years of tax expenditure data.

How to Read the Tax Expenditure

A tax type, such as personal income tax, contains all the elements of personal income tax expenditures. This means that it contains the federal classification of the tax, the description, the legal reference (the Internal Revenue Code) and the estimated amount of potential revenue to the Commonwealth that is “lost” due to this exemption.

Class ID Number:	1.010	Exemption of Workers' Compensation Benefits
Description:		Workers' compensation benefits are not taxed. These are benefits paid to disabled employees or their survivors for employment-related injuries or diseases.
Internal Revenue Code:		Origin: IRC § 104 (a)(1)
Revenue "Loss":		Estimate: \$7.5

The Tax Expenditure Budget also includes Corporate and other Business Excise, Sales Tax, Appendix A and Appendix D.

Resources

Additional resources are located in the final section of Volume 2, including:

Budget Downloads

This section links users to many documents that can be downloaded including:

Budget Data: These sections can be downloaded in Microsoft Excel

- Appropriation Recommendations (Line Items)
- Budget Recommendations (Programs)
- Local Aid Distributions
- Historical Spending
- Historical Budget
- FY 2014 Budget Comparison

Budget Documents: these sections can be downloaded in pdf only.

- Volume 1 – in its entirety or individual sections
- Volume 2 – in its entirety or individual sections

- ***Related Legislation and Executive Orders***

This section links users to relevant statutes and Executive Orders useful in understanding the Budget Recommendation and state government in general.

- ***University of Massachusetts' Donahue Institute Economic Outlook Report***

The *Economic Outlook Report* is prepared by the Massachusetts State Data Center (Mass SDC) at the University of Massachusetts Donahue Institute and is relevant in evaluating the economic and financial condition and prospects of the Commonwealth of Massachusetts.

- ***Glossary of Budget Terminology***

The *glossary* is an alphabetical list of terms, acronyms and concepts that are particularly significant in understanding the development and presentation of the Governor's Budget Recommendation.

- ***Program Structure***

This is a listing of the three-tiered program hierarchy used in the program version of the FY 2015 Governor's Budget Recommendation. It includes all Government Functions, Program Categories and Programs with a short description for each term.

- ***Performance Measures***

This is a listing of all performance or outcome measures organized by program in alphabetical order. Programs are presented according to the program hierarchy starting with government function and then program category. When data is available for a performance measure, this information is also provided.

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